

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DUVAL COUNTY DISTRICT SCHOOL BOARD

GENERAL-PURPOSE FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
FOR YEAR ENDED JUNE 30, 2007

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DUVAL COUNTY DISTRICT SCHOOL BOARD

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INDEPENDENT AUDITORS' REPORT

Board of Directors
S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.
A Charter School and Component Unit of the Duval
County District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

We have audited the accompanying financial statements of the governmental activities and each major fund of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., a component unit of the Duval County District School Board, (a nonprofit organization) as of and for the year ended June 30, 2007, which collectively comprise S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States.

Effective July 1, 2001, S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc. adopted GASB statement No. 34, *Basic Financial Statements – and Management’s discussion and analysis – for State and Local Governments*, GASB Statement No. 37, *Basic financial statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB No. 38, *Certain Financial statements Note Disclosures*.

The Management’s Discussion and Analysis required supplementary information as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 17, 2007, on our consideration of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Simon, Simon, Ratnecht & Associates, Inc.

Jacksonville, Florida
September 17, 2007

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

Our discussion and analysis of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s (The School) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

The financial statements consist of two parts: Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements also include notes that explain, in more detail, some of the information in the Basic Financial Statements.

The Basic Financial Statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole and present a longer-term view of the School's finances. Fund Financial Statements provide information regarding the financing of services in the short term and what remains for future spending. Fund Financial Statements also report the School's operations in more detail than the Government-wide Financial Statements by providing information about the School's most significant funds

Overall revenues decreased by approximately \$972,000 for the year ended June 30, 2007, due to the fact that only the Middle School operated in the 2006-2007 fiscal year. In 2005 – 2006 fiscal year, the High School and the Middle School both were in operation and, therefore, SOS Academy was eligible for more federal and state funding.

Overall expenditures decreased by approximately \$951,000 for the year ended June 30, 2007. Due to the anticipated decrease in federal, state and local funding the school decreased its overall expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole.

Government-wide Financial Statements

The School's annual report includes two Government-wide Financial Statements. These statements provide both long-term and short-term information about the School's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. Statements in this category are as follows:

Statement of Net Assets:

This is the School-wide statement of position presenting information that includes all of the School's assets and liabilities, with the difference reported as net assets.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

USING THIS ANNUAL REPORT – Continued

Statement of Net Assets – Continue:

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School as a whole is improving or deteriorating. Evaluation of the overall health of the School would extend to other non-financial factors such as diversification of the school.

Statement of Activities:

The second Government-wide Financial Statement is the Statement of Activities, which reports how the School's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the School's distinct activities or functions on revenues provided by the Florida Department of Education through the Duval County School Board.

Both Government-wide Financial Statements distinguish general activities of the School that are principally supported by the Department of Education revenues, such as grants from local sources activities that are intended to cover other budgetary shortfalls. Governmental activities include general government, special revenue and capital outlay.

The School's financial reporting includes the funds of the School's general fund. The School is blended into the Duval County School Board for financial reporting purposes as a component unit.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds rather than the School as a whole. State Law requires some funds and others are established by the School to control and manage money for a particular purpose.

THE SCHOOL'S FUNDS

Government Fund Type

Most of the School's basic services are reported in governmental funds that focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

THE SCHOOL'S FUNDS – Continued

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. We describe the differences between governmental activities (reported in the Statement of Activities and the Statement of Net Assets) and governmental funds in reconciliation at the bottom of the Fund Financial Statements.

Special revenue funds are used to account for the financial resources of the internal school funds such as the food service program, student services account and certain federal grant program resources.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the Government-wide and Fund Financial Statements. The notes to the financial statements are an integral part of the School's financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's fund receivables, payables and payments within the reporting entity.

Major funds and component units are reported in the basic financial statements as discussed.

CHANGE IN NET ASSETS

Change in net assets summarizes the change in financial condition during a period. Following is a summary of net assets:

	Governmental Activities
Current assets	\$ 21,354
Capital assets, net of accumulated depreciation	<u>1,644,886</u>
Total assets	<u>\$ 1,666,240</u>
Total liabilities	\$ 90,422
Invested in capital assets	1,625,224
Unrestricted net assets	<u>(49,406)</u>
Total net assets	<u>\$ 1,575,818</u>
Total liabilities and net assets	<u>\$ 1,666,240</u>

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

CHANGES IN NET ASSETS – Continued:

	Governmental Activities
Other Governmental Revenues	\$ 96,060
Federal	1,726,068
State	42,859
Local Sources	29,633
 Total Revenue	 1,894,620
 Operating Expenses	 1,872,436
Capital Outlay	138,388
Obligation Under Capital Lease	(4,520)
 Total Expenses	 (2,006,304)
 Change in net assets	 (111,684)
 Net assets at the beginning of the year	 1,687,502
 Net assets at the end of the year	 \$ 1,575,818

Net assets of the School's governmental activities decreased to \$1,575,818 from the prior year. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

The total ending net assets of governmental activities shows a decrease of \$111,684 from the prior year. This decrease is a result of lower revenues from state and federal sources.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant variances from budget to actual are described as follows:

Budget / Actual – General Fund

Federal through State budget of \$48,000 is lower than the actual because the School applied funds received from Federal through State Special Revenues Fund to General Fund Revenues. Special Revenue Fund portion of Federal through State Revenues was over-budgeted by approximately the same amount that General Fund Revenues were under-budgeted.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

GENERAL FUND BUDGETARY HIGHLIGHTS – Continued:

Budget / Actual – General Fund

The expenditure for the School administration budget of \$324,144 is higher than actual due to over-projection of the costs associated with marketing, education consulting services. Additionally, SOS Academy projected higher expenses related to School Administration because it was a first year of operating the Middle School without the High School; therefore, actual expenses were lower than budgeted.

Budget / Actual – General Fund

The expenditure for the School operation of plant budget of \$181,684 is lower than actual due to the unexpected repairs, maintenance and renovations required to keep the school building operational and the increase in utilities and insurance costs.

CAPITAL ASSETS

The School's investment in capital assets, net of accumulated depreciation, for the general fund at June 30, 2007, was \$1,644,886. The total decrease from the prior year in this net investment was 2.4%. Major capital asset events during the current fiscal year included retirement of furniture and equipment, computer hardware and software that were not longer used in operations.

The following schedule represents changes in fixed assets for the period ending June 30, 2007:

	Net Book Assets at 6/30/2006	Additions	Disposals	Current Accumulated Depreciation	Net Book Assets at 6/30/2007
Land improvements	\$ 96,500	\$	\$	\$ 2,500	\$ 94,000
Buildings and improvements	1,357,133		7,000	55,166	1,294,967
Furniture and equipment	167,244	523	106,260	(66,761)	128,266
Capital lease	23,910			5,124	18,786
Computer software	50,350		3,728	20,658	25,900
Improvements other than building	85,337			4,886	80,451
Building improvements	2,800			350	2,450
Total capital assets	\$ 1,783,274	\$ 523	\$116,988	\$ 21,923	\$ 1,644,886

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, customers, and investors with a general overview of the School's finances and to show the School's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the board of directors, (S.O.S.) Academy, Inc., 6974 Wilson Boulevard, Jacksonville Florida or telephone 904-573-0880.

S.O.C.K.. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Special Revenue	Total
	Middle School	Middle School	Governmental Funds
ASSETS			
Cash	\$ 8,353	\$ 1,469	\$ 9,822
Due from agency	11,532	0	11,532
Capital assets, net of accumulated depreciation	1,644,886	0	1,644,886
Total Assets	\$ 1,664,771	\$ 1,469	\$ 1,666,240
LIABILITIES			
Accounts payable	\$ 12,322	\$ 13,438	\$ 25,760
Obligations under capital lease	19,662	0	19,662
Line of credit	0	45,000	45,000
Total Liabilities	\$ 31,984	\$ 58,438	\$ 90,422
Total Assets Less Liabilities	\$ 1,632,787	\$ (56,969)	\$ 1,575,818
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,625,224	\$ -	\$ 1,625,224
Unrestricted net assets (deficit)	7,563	(56,969)	(49,406)
Total Net Assets	\$ 1,632,787	\$ (56,969)	\$ 1,575,818

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

MIDDLE SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS	Expenses	Program Revenues		Component Unit Activities	Net Expense Revenue & Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Component Unit Activities:					
Instruction	\$ 634,181		\$		\$ 634,181
Pupil personnel services	38,068				38,068
Instructional media services	75,012				75,012
Instruction and curriculum development	123,413				123,413
Instruction and staff training	26,230				26,230
Board	996				996
School administration	284,543				284,543
Fiscal services	96,840				96,840
Food services	119,453		90,918		28,535
Pupil transportation services	197,498		100,827		96,671
Operation of plant	201,669				201,669
Maintenance of plant	208,129				208,129
Interest on long-term debt	272				272
Total Component Units	\$ 2,006,304		\$ 191,745		\$ 1,814,559
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs					\$ 1,702,875
Total General Revenues					1,702,875
Change in Net Assets					(111,684)
Net Assets - July 1, 2006					1,687,502
Net Assets - June 30, 2007					<u>\$ 1,575,818</u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund Middle School	Special Revenue Middle School	Total Governmental Funds
ASSETS			
Cash	\$ 8,353	\$ 1,469	\$ 9,822
Due from agency	11,532		11,532
Total Assets	\$ 19,885	\$ 1,469	\$ 21,354
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 12,322	\$ 13,438	\$ 25,760
Notes payable	0	45,000	45,000
Total Liabilities	\$ 12,322	\$ 58,438	\$ 70,760
Fund Balance:			
Unreserved	\$ 7,563	\$ (56,969)	\$ (49,406)
Total Fund Balance (Deficit)	7,563	(56,969)	
Total Liabilities and Fund Balance	\$ 19,885	\$ 1,469	

Amounts reported for governmental activities in the statement of net assets are different because:

Fixed assets used in governmental activities are not expenditures and therefore, are not reported in the funds.

\$ 1,644,886

Obligations under capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.

(19,662)

Net Assets of Governmental Activities

\$ 1,575,818

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total</u>
REVENUES	Middle School	Middle School	Governmental Funds
Federal through state revenue	\$ 62,551	\$ 33,509	\$ 96,060
State sources	1,726,068	0	1,726,068
Local sources	<u>29,633</u>	<u>42,859</u>	<u>72,492</u>
Total revenue	\$ 1,818,252	\$ 76,368	\$ 1,894,620
EXPENDITURES			
Education:			
Instructional	\$ 618,834	\$ 0	\$ 618,834
Pupil personnel services	37,410	0	37,410
Instructional media services	74,574	0	74,574
Instructional and curriculum development	88,474	0	88,474
Instructional and staff training	2,937	0	2,937
Board	996	0	996
School administration	283,885	0	283,885
Fiscal services	96,402	0	96,402
Food services	0	118,357	118,357
Pupil transportation	174,205	0	174,205
Operation of plant	198,380	0	198,380
Maintenance of plant	173,190	0	173,190
Debt service:			
Principal	4,520	0	4,520
Interest and fiscal charges	<u>272</u>	<u>0</u>	<u>272</u>
Total Expenditures	\$ 1,754,079	\$ 118,357	\$ 1,872,436
Excess (deficiency) of revenues over expenditures	64,173	(41,989)	22,184
Fund balances (deficits), beginning of year	<u>(56,610)</u>	<u>(14,980)</u>	<u>(71,590)</u>
Fund balances (deficits), end of year	\$ <u>7,563</u>	\$ <u>(56,969)</u>	\$ <u>(49,406)</u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Excess of revenues over expenditures	\$ 22,184
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlays.	(138,388)
Obligations under capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>4,520</u>
Change in Net Assets of Governmental Activities	<u>\$ (111,684)</u>

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 80,500	\$ 48,000	\$ 62,551	\$ 14,551
State sources	1,681,521	1,726,047	1,726,068	21
Local sources	20,000	29,556	29,633	77
Other revenue				
Total revenue	\$ 1,782,021	\$ 1,803,603	\$ 1,818,252	\$ 14,649
EXPENDITURES				
Education:				
Instructional	\$ 619,781	\$ 622,846	\$ 618,834	\$ 4,012
Pupil personnel services	56,269	37,598	37,410	188
Instructional media services	96,004	74,718	74,574	144
Instructional and curriculum development	94,729	88,953	88,474	479
Instructional staff training services	3,000	2,937	2,937	0
Board			996	(996)
School administration	302,972	324,144	283,885	40,259
Fiscal services	106,739	88,781	96,402	(7,621)
Pupil transportation	155,120	174,205	174,205	0
Operation of plant	153,713	181,684	198,380	(16,696)
Maintenance of plant	150,195	180,121	173,190	6,931
Debt service:				
Principal	46,000	4,520	4,520	0
Interest and fiscal charges	4,485	272	272	0
Total Expenditures	\$ 1,789,007	\$ 1,780,779	\$ 1,754,079	\$ 26,700
Excess of revenues over (under) expenditures	(6,986)	22,824	64,173	\$ 41,349
Fund balances (deficits), beginning of year	(71,590)	(71,590)	(56,610)	
Fund balances (deficits), end of year	\$ (78,576)	\$ (48,766)	\$ 7,563	

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (SOS) ACADEMY, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES				
Federal through state revenue	\$ 96,000	\$ 48,059	\$ 33,509	\$ (14,550)
Local sources	<u>0</u>	<u>42,859</u>	<u>42,859</u>	<u>0</u>
Total revenue	<u>\$ 96,000</u>	<u>\$ 90,918</u>	<u>\$ 76,368</u>	<u>\$ (14,550)</u>
EXPENDITURES				
Education:				
Food services	\$ 89,014	\$ 113,742	\$ 118,357	\$ (4,615)
Total Expenditures	<u>\$ 89,014</u>	<u>\$ 113,742</u>	<u>\$ 118,357</u>	<u>\$ (4,615)</u>
Excess of revenues over (under) expenditures	6,986	(22,824)	(41,989)	<u>\$ (19,165)</u>
Fund balances (deficits), beginning of year	<u>0</u>	<u>0</u>	<u>(14,980)</u>	
Fund balances (deficits), end of year	<u>\$ 6,986</u>	<u>\$ (22,824)</u>	<u>\$ (56,969)</u>	

See independent auditors' report and accompanying notes to financial statements.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., (the "School") is a nonprofit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1022.33, Florida Statutes. The Internal Revenue Service notified the School in October of 1998 that it was a nonprofit educational organization under IRC 501(c)(3). The School was incorporated on June 17, 1997, as an educational organization.

The general operating authority of the School is contained in Section 1022.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Duval County District School Board (the District). The current charter for the Middle School is effective until June 30, 2007 and may be renewed in increments of one to three years by mutual agreement between the School and the District. At the end of the term in the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's general-purpose financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100 and 2600. The application of these criteria provide for identification of any entities to which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's general-purpose financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

Fund Accounting – In order to ensure observance of limitations and restrictions placed on the use of these resources available to the School, the financial records and accounts of the school are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds and account groups that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in some of the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions have been recorded and reported by fund type and account group. The fund type and account group used are classified as follows:

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT SCHOOL
BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

GOVERNMENTAL FUND TYPES

General Fund - to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for all financial resources relating to food services.

Basis of Accounting

The Government-wide Financial Statements (i.e., the statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. For the most part, the effect of inter-fund activity has been eliminated.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consist of charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The revenues of the School are classified as general revenues as they are not restricted to any particular function, but are instead applied to the general operations of the School.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Inter-governmental revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. For this purpose, the School considers revenues available if they are collected within 60 days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

Federal Income Taxes

The School is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Fixed Assets and Depreciation

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are capitalized (recorded) at historical cost. Donated assets are recorded at fair market value at the date of the donation. Property and equipment are depreciated using the straight-line method over the useful lives of the respective assets.

Net Asset and Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change and are not reported on the face of the fund financial statements.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued:

Revenue Sources

Revenues for current operations are received primarily from the Duval County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33 (17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The School received federal awards for the enhancement of various education programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School received revenue from Federal, State and Local sources for the following purposes: Safe Schools, School improvements, instructional materials, student transportation, class size reduction, technology improvement, teacher training and capital outlay.

It is the School's policy to use restricted resources first when an expense is incurred for the purposes for which both restricted and unrestricted assets are available.

2. CASH

The total carrying amount of the School's bank balances with financial institutions was \$10,175.98 at June 30, 2007. Deposits are placed in banks that qualify as public depositories pursuant to the provisions of Chapter 280, Florida Statutes, of the Florida Security for Public Deposits Act. Financial institutions qualifying as public depositories are required by this law to deposit with State Treasurer eligible collateral equal to or in excess of the required collateral for the depository. The State Treasurer, by rule, shall establish minimum required collateral pledging level. Each qualified public depository shall calculate the amount of its required collateral based upon certain formulas. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

2. CASH – Continued:

When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

For purposes of these financial statements, cash and cash equivalents are considered cash in the bank, demand deposits and short-term investments with maturities of less than three months.

The School's cash consists of demand deposits with financial institutions, which are insured by federal depository insurance. As of June 30, 2007, all of the School's balances were insured by FDIC. The School mitigates credit risk by depositing funds with highly reputable financial institution.

3. CHANGES IN FIXED ASSETS:

At June 30, 2007, the cost and related current accumulated depreciation of general fixed assets consisted of the following:

	Net Book Assets at 6/30/2006	Additions	Disposals	Current Accumulated Depreciation	Net Book Assets at 6/30/2007
Land improvements	\$ 96,500	\$	\$	\$ 2,500	\$ 94,000
Buildings and improvements	1,357,133		7,000	55,166	1,294,967
Furniture and equipment	167,244	523	106,260	(66,761)	128,268
Capital lease	23,910			5,124	18,786
Computer software	50,350		3,728	20,658	25,964
Improvements other than Building	85,337			4,886	80,451
Building improvements	2,800			350	2,450
Total capital assets	\$ 1,783,274	\$ 523	\$116,988	\$ 21,923	\$ 1,644,886

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities:	
Basic instruction	\$ 15,347
Pupil personnel services	658
Instructional media services	438
School administration	658
Fiscal services	438
Food services	1,096
Operations of plant	<u>3,288</u>
Total governmental activities depreciation expense	\$ 21,923

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

4. LINE OF CREDIT:

The School has a revolving line of credit from SunTrust Bank to fund payroll costs of the School when payroll due dates fall prior to the monthly receipt of funds from the School Board. The revolving credit may be drawn upon and repaid from time to time. As of June 30, 2007, there were borrowings outstanding in the amount of \$45,000 with interest only payments due monthly. Variable interest rate was averaging 10.25% throughout 2006-2007 School Year. The balance is due upon demand.

5. PROPERTY UNDER CAPITAL LEASE:

The class and amount of property acquired under capital lease is as follows:

	Asset Balance
Copier lease with interest rate of 7.23%, secured by equipment With interest and principal payments of \$510.00 maturing in February 2011	19,662
Total	\$ 19,662

Future installments and present value of the payments as of June 30, 2007, follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 4,858	\$ 1,262	\$ 6,120
2009	5,221	899	6,120
2010	5,611	509	6,120
2011	3,972	108	4,080
Thereafter	0		
Total Obligation under Capital Lease	\$ 19,662	\$ 2,778	\$ 22,440

6. BANK ACCOUNTS:

The School maintains a separate bank account for the charter school programs as required by the Duval County District School Board contract.

S.O.C.K. OUTSTANDING STUDENTS (S.O.S.) ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF DUVAL COUNTY DISTRICT
SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

7. CHANGES IN GENERAL LONG-TERM DEBT:

The following is a summary of changes in general long-term debt:

	Balance July 1, 2006	Additions	Principal Payments and Refinancing Charges	Balance June 30, 2007
Copier note payable	24,182		4,520	19,662
Total	\$ 24,182		\$ 4,520	\$ 19,662

8. OPERATING LEASES:

Minimum lease payments required as of June 30, 2007

School facilities lease with original term of 60 months and 48 remaining monthly payments of \$2,008.38 per month and maturing July 31, 2011.	\$ 96,402
Equipment leases with original term of 60 months secured by the equipment with 48 remaining monthly payments of \$610.64, maturing September 1, 2010.	16,488
Total amount of minimum payments over the life of leases	\$ 112,890

The following is a schedule by years of future minimum rental payments required under leases that have initial or remaining non-cancelable lease term in excess of one year as of June 30, 2007.

Operating lease minimum payments schedule	Operating Leases
2008	\$ 31,428
2009	31,428
2010	25,933
2011	24,101
Thereafter	0
Total minimum payments	\$ 112,890

The following are the rental expenses for the year:

Five monthly payments of \$9,800 for rent of facilities	\$ 49,000
Twelve monthly payments of \$2,008.38 for rent of facilities	24,100
Equipment rent	7,328
Storage rent	3,370
Total Rent Expense	\$ 83,798

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.
A Charter School and Component Unit of The Duval
County District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

We have audited the financial statements of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc., a Charter School and Component Unit of The Duval County District School Board (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 17, 2007. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

This report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be, used by anyone other than these specified parties.



Simonic, Simonic, Ratnecht & Associates, Inc.
Jacksonville, Florida

September 17, 2007



Simonics, Simonics, Ratnecht & Associates, Inc.
Certified Public Accountants
8750 Perimeter Park Boulevard Jacksonville, FL 32216-6347
Phone: 904-928-1040 Fax: 904-928-0909
www.simonic.net

September 17, 2007

Board of Directors
S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc.
A Charter School and Component Unit of the Duval
County District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

In planning and performing our audit of the financial statements of S.O.C.K. Outstanding Students (S.O.S.) Academy, Inc. for the year ended June 30, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect SOS Academy's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following issues related to internal controls were noted:

- 1) During the audit we noted that accounts payable for various vendors were not properly maintained during 2006-2007 fiscal year. Accounts payable were not adjusted when payments to vendors were made. Additionally, accounts payable for some of the purchases of goods and services made during school year were not recorded by SOS Academy.

Recommendation:

SOS Academy's accounting personnel should maintain Accounts Payable for all vendors throughout the year. When charges are paid accounts payable should be reduced and when invoices are received and not paid in the same period payables should be posted. SOS Academy's management should review accounts payable monthly in order to maintain internal controls and improve budgeting and get more informative presentation of the School's financial position.

- 2) SOS Academy has a deficit balance in the net assets of the Governmental Funds in the amount of \$49,406. Although the deficit decreased by approximately \$22,000 in 2006-2007 School year, it is considered to be a financial emergency by the State of Florida and needs to be promptly addressed by the School's management.

Recommendation:

SOS Academy's management should review expenses that are under-budgeted and make appropriate adjustments, insuring that there are funds available to cover actual expenses made. The School should consider seeking additional funding from the Federal and State Governments, perform fundraising activities in the community and reduce under budgeted expenses in order to decrease and eventually eliminate the outstanding deficit balance in the Governmental Funds.

Prior period management letter comments were addressed by the School management and auditors were satisfied with the progress made by the school related to prior year comments. The auditors have no other comments related to prior year's management comments.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. None of the above issues are deemed material weaknesses.

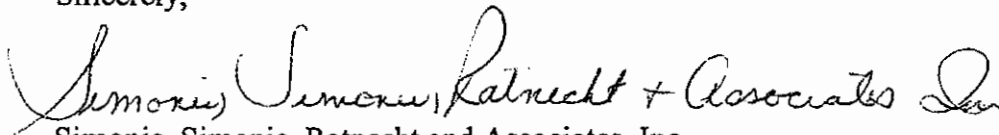
Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above are believed to be a material weakness.

Following disclosure is made pursuant to the Chapter 218.39 and Audit General Rules Chapter 10.804(1)(d) and Chapter 10.854(1)(d). In connection with our audit, we determined that SOS Academy did not meet one or more of the conditions described in Section 218.503(1), Florida Statutes. Although the SOS Academy reported deficit unrestricted net assets of \$60,938 as of June 30, 2007, the SOS Academy had unrestricted capital assets available to cover the reported deficit and the disposal of such assets would not impair the SOS Academy's ability to carry on its functions. All Schools financial policies and procedures appear to be in compliance with State and Federal rules and regulations. The Schools made satisfactory corrections of prior years internal controls issues that were stated in the management letter and the prior period audit report.

With respect to the Chapter 218.415 of the Florida statutes the auditor found that the School's finances and investment policies were in agreement with the statutory requirements. As of June 30, 2007, the School had no investments.

This report is intended solely for the information and use of Board of Directors, management, and others as required by State and Federal Laws and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Simonie Simonie Ratnecht + Associates Inc". The signature is written in black ink and is positioned above the printed name of the firm.

Simonie, Simonie, Ratnecht and Associates, Inc.

Jacksonville, Florida

September 17, 2007

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

Corrective Action Plan
September 25, 2007

Chairman

Ruby George
Executive VP, OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

Narlene McLaughlin
Director of Administration, Potter's House

Secretary

Tommy Sampson
Ret., School Teacher

BOARD OF DIRECTORS

Donald Foy
Frederick McClendon

HONORARY MEMBER

Ted Hires
Lynda Barco (Deceased)
Elder George Matthews (Deceased)

EX-OFFICIO

Genell Mills

MOITTO

"Because potential is so completely unknown to us, we dare not underestimate any child and therefore see all students as possibilities."

Board of Directors

S.O.C.K. Outstanding Students (SOS) Academy, Inc
A Charter School and Component Unit of Duval County
District School Board
6974 Wilson Boulevard
Jacksonville, Florida 32210

S.O.C.K. Outstanding Students (SOS) Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2007.

Simonic, Simonic, Ratnecht and Associates, Inc.
8750 Perimeter Park Boulevard
Jacksonville, Florida 32216
Audit Period: June 30, 2007

Comment: The auditor noted that accounts payables for various vendors were not properly maintained during 2006-2007 fiscal year. Accounts payables were not adjusted when payments to vendors were made. Additionally, accounts payable for some of the purchases of goods and services made during the school year were not recorded by SOS Academy.

Recommendation: SOS Academy's accounting personnel should maintain Accounts Payable for all vendors throughout the year. When charges are paid accounts payable should be reduced and when invoices are received and not paid in the same period payables should be posted. SOS Academy's management should review accounts payable monthly in order to straighten internal controls and improve budgeting and get more informative presentation of School's financial position.

Action: SOS Academy would like to note that some of its vendors were not put into the payables system because the vendor agreed to be paid in draws due to the nature of the work or service being completed and the structure of funding. SOS Academy concurs with the auditor's

Charter School



SCHOOL OF SUCCESS ACADEMY

Genell M. Mills
Principal

recommendations and will maintain payables for all vendors and contractors and will review the schools obligations monthly with the schools leadership committee.

Chairman

Ruby George
Executive VP. OTU

Vice Chairman

Curtis Johnson
President, Sweetwater Community Assoc.

Treasurer

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MOTTO

"Because potential is so completely unknown to us, we dare not underestimate any child and therefore see all students as possibilities."

Comment: The auditor noted that SOS Academy has deficit balance in the net assets of the Governmental Funds in the amount of \$49,406. Although the deficit decreased by approximately \$22,000 in the 2006-2007 School year, it is considered to be a financial emergency by the State of Florida and needs to be promptly addressed by the School's management.

Recommendation: SOS Academy should review the expenses that are under-budgeted and make appropriate adjustments, insuring that there are funds available to cover actual expenses made. The School should consider seeking additional funding from the Federal and State Governments, perform fundraising activities in the community and reduce under budgeted expenses in order to decrease and eventually eliminate the outstanding deficit balance in the Government funds.

Action: SOS Academy would like to note that its' financial position is reviewed with the schools Board of Directors at the monthly board meetings. SOS Academy continues to work diligently in reducing its negative fund balance by reducing expenditures. For the 2007-2008 fiscal year, SOS Academy has reduce expenditures in it's administration from one full time Principal, one full time Vice Principal and three grade level administrators, to, one full time Principal, one part time Vice Principal and one full time grade level administrator. SOS Academy along with its' Board of Directors will continue to solicit community business for support in the areas of basic education to include but not limited to classroom textbooks, library books for its media center and computer hardware and software for it's computer labs. SOS Academy currently adjusts its' budget three times per year, at the beginning of the year, middle of the year and at year end; going forward SOS Academy's management will review and adjust its budget monthly as needed.

Genell Mills
Principal, SOS Academy